



Charter Flights Supplied to Third-Party Charterers

This info sheet explains how the GST/HST applies to supplies of charter flights that are considered to be supplies of passenger transportation services for GST/HST purposes, and to other related supplies.

More specifically, this info sheet applies to supplies of charter flights to third-party charterers made by carriers who follow the guidelines issued by the Canadian Transportation Agency (CTA) in the following CTA documents:

- *Domestic Tariff – Provision for Aircraft with up to 29 Passenger Seats*, which applies to charter flights for the transportation of passengers and their baggage or goods between points in Canada; and
- *Local International Charter Tariff*, which applies to charter flights for the transportation of passengers and their baggage or goods between points in and outside Canada.

This info sheet does not apply to supplies made to owners of aircraft or to supplies made to other carriers. Carriers who make such supplies should contact a GST/HST rulings centre for information on how the GST/HST applies to these and other supplies that are outside the scope of this info sheet.

In this info sheet, all carriers referred to in the examples are GST/HST registrants and, unless otherwise indicated, all supplies are taxable supplies made in Canada. Also, all legislative references are to the *Excise Tax Act* unless otherwise indicated.

Meaning of significant terms used in this info sheet

For purposes of this info sheet:

“Baggage”, as set out in the CTA documents, means luggage or such articles, effects or other personal

property of passengers as are necessary or appropriate for wear, use, comfort or convenience in connection with the charter flight.

“Carrier”, as set out in the CTA documents, means any person who operates a domestic or international air service. Generally, an air service is a service provided by means of an aircraft that is publicly available for the transportation of passengers and their baggage or goods.

“Charter flight”, as set out in the CTA documents, means the movement of an aircraft transporting the charterer’s passengers and their baggage or goods from the point of take off to the first point of landing thereafter (intermediate technical or fuel stops excepted).

“Charterer”, as set out in the CTA documents, means a person who contracts for the transportation of passengers and their baggage or goods from a specified origin to a specified destination, for a particular itinerary, agreed upon in advance. Generally, a charterer agrees to hire the whole of the traffic payload carrying capacity of an aircraft, having regard to the charter flight to be performed, of one or more aircraft of the carrier.

“Conveyance” is a means of transporting or carrying travellers (i.e., an individual or group of individuals) and includes a vehicle such as a bus, ship, aircraft, truck, train or automobile.

“CTA documents” means the *Domestic Tariff – Provision for Aircraft with up to 29 Passenger Seats* and the *Local International Charter Tariff* published by the Canadian Transportation Agency. It includes the provisions of the *Canada Transportation Act* and the *Air Transportation Regulations* pertaining to those two tariff documents.

“Destination”, as set out in the CTA documents, means the point to which the passengers and their baggage or goods to be transported on a charter flight are bound.

“Ferry flight”, as set out in the CTA documents, means the movement of an aircraft without the charterer’s passengers and their baggage or goods in order to:

- position the aircraft to perform a charter flight; or
- position the aircraft, upon completion of a charter flight, to a point required by the carrier.

“Goods”, as set out in the CTA documents, means anything that can be transported by air including animals, but does not include mail.

“Itinerary” means a document that describes all elements of a journey such as the origin, termination, stopovers, dates and times of arrivals and departures, and all modes of conveyances throughout the journey.

“Leg” of a journey on a conveyance means a part of the journey that begins where passengers embark or disembark the conveyance or where it is stopped to allow for its servicing or refuelling and ends where it is next stopped for any of those purposes.

“Non-participating province” means a province that is not a participating province, or another area in Canada that is outside the participating provinces.

“Origin”, as set out in the CTA documents, means the point from which a charter flight commences with the passengers and their baggage or goods to be transported.

“Origin”, in respect of a continuous journey, means the place where the first passenger transportation service in the continuous journey begins.

“Participating province” means a province that has harmonized its provincial sales tax with the GST to implement the HST. The participating provinces are Ontario, Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador.

“Passenger”, as set out in the CTA documents, means any individual, except members of the crew, carried or to be carried in an aircraft with the consent of the carrier pursuant to a charter agreement.

A “person” includes an individual and a corporation.

“Property” means any property, whether real or personal, movable or immovable, tangible or intangible, corporeal or incorporeal, and includes a right or interest of any kind, a share and a chose in action, but does not include money.

A “service” means anything other than property, money, and anything that is supplied to an employer by a person who is or agrees to become an employee of the employer in the course of or in relation to the office or employment of that person.

“Stopover”, in respect of a continuous journey of an individual or group of individuals, means any place at which the individual or group embarks or disembarks a conveyance used in the provision of a passenger transportation service included in the continuous journey, for any reason other than for transferring to another conveyance or to allow for servicing or refuelling of the conveyance.

A stop between two legs of a journey that is 24 hours or less is not considered to be a stopover. A stop of more than 24 hours between two legs of a journey will generally be considered to be a stopover where two or more tickets or vouchers are issued for the legs of the journey.

“Tariff”, as set out in the CTA documents, means the carrier’s schedule of fares, rates, charges and terms and conditions of carriage applicable to the provision of an air service and other incidental services. Generally, a tariff outlines the carrier’s policies with respect to its terms and conditions, and the contents of the tariff form part of the charter agreement between the carrier and the charterer.

“Taxation area” means Canada, the United States (except Hawaii) and the islands of St. Pierre and Miquelon.

“Termination”, in respect of a continuous journey, means the place where the last passenger transportation service in the continuous journey ends.

“Third-party charterer” means a charterer that is neither the owner of an aircraft nor another carrier.

“Zero-rated” means subject to the GST/HST at 0%.

Introduction

Generally, carriers own or lease aircraft that they use to supply charter flights to the public by offering an entire aircraft for charter, as opposed to supplying seats on the aircraft with a pre-scheduled route and time. Typically, charterers can request specific dates and times for a charter flight, and choose their route, including the origin, destination and any interim stops. Subject to Canadian laws, carriers that offer publicly available domestic or international air services must have a tariff outlining their terms and conditions of carriage.

Passenger transportation service

For GST/HST purposes, the supply of a “passenger transportation service” is a supply of a service of transporting or carrying travellers (i.e., an individual or group of individuals) by any mode of transportation available to the public (such as a bus, taxi, train, aircraft, or boat) as long as there is:

- a mode of conveyance;
- an operator of the conveyance who is independent of the travellers; and
- an itinerary.

Generally, the supply of a charter flight to a third-party charterer is considered to be a supply of a passenger transportation service.

A supply that is a supply of property (such as a supply, by way of lease, licence or similar arrangement, of the use or right to use tangible personal property such as an aircraft) is not a supply of a passenger transportation service.

Example 1

A potential third-party charterer requests a charter flight from a carrier for travel from Calgary, Alberta to St. John’s, Newfoundland and Labrador. The carrier provides a quote outlining the details of the charter flight, specifying the type of aircraft and capacity, the date and time for departure and expected arrival, the airports where the passengers will embark and disembark the aircraft, the expected flight time, and the cost for the charter flight. The third-party charterer accepts the quote, and is issued an itinerary with more specific details, including the aircraft and the crew, the passenger boarding locations, the

specific dates and times of the charter flight, and the expected fuel consumption.

The supply of the charter flight is a passenger transportation service for GST/HST purposes because:

- the aircraft is a mode of conveyance;
 - the operator of the conveyance (i.e., the carrier) is independent of the travellers; and
 - the charter flight has an itinerary.
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Where a supply of a charter flight to a third-party charterer is a supply of a passenger transportation service, the supply is:

- subject to GST at the rate of 5%, or to HST at the rate in effect in a participating province; or
- zero-rated.

Continuous journey

The term “continuous journey” is important in determining if a supply of a passenger transportation service is zero-rated and the province in which the supply is made.

“Continuous journey” of an individual or group of individuals means the set of all passenger transportation services provided to the individual or group of individuals:

- and for which a single ticket or voucher in respect of all the services is issued; or
- where two or more tickets or vouchers are issued in respect of two or more legs of a single journey of the individual or group on which there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued, and all the tickets or vouchers are issued by the same supplier or by two or more suppliers through one agent acting on behalf of all the suppliers where:
 - all such tickets are supplied at the same time and evidence satisfactory to the Minister is maintained by the supplier or agent that there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued, or
 - the tickets or vouchers are issued at different times and evidence satisfactory to the Minister is submitted by the supplier or agent that there is no

stopover between any of the legs of the journey for which separate tickets or vouchers are issued.

In order for passenger transportation services to be part of a continuous journey, the carrier or its agent must issue either a single ticket or voucher or multiple tickets or vouchers in respect of those passenger transportation services provided to the individual or group of individuals. If not, those passenger transportation services will not form part of a continuous journey for zero-rating and place of supply purposes as explained later in this info sheet.

Generally, the carrier's tariff will include a rule stating the carrier's policy with respect to ticket reservation, cancellation, confirmation, validity and loss. However, some carriers do not issue tickets due to the nature of their operations. Instead, prior to the charter flight, the third-party charterer will provide the carrier with a list of all the passengers' names.

If a carrier does not issue tickets, but does issue a document that contains all the information commonly found on a ticket (such as detailed flight information, airports and specific locations where passengers will embark and disembark the aircraft, departure date(s) and time(s), and the passengers' information), then this document (hereafter, "travel document") is considered to be a ticket or voucher for the purposes of the definition of continuous journey.

Where a carrier supplies a ground passenger transportation service with a charter flight, this service can be part of a continuous journey if the conditions of the definition of that term are met with respect to the service.

Example 2

A third-party charterer and a carrier enter into a charter agreement for the supply of a charter flight that is a passenger transportation service. The carrier issues a single ticket to each passenger for the set of all passenger transportation services.

The passenger transportation service is part of a continuous journey because the carrier issues a single ticket for the set of all passenger transportation services.

Example 3

A third-party charterer and a carrier enter into a charter agreement for the supply of a charter flight

that is a passenger transportation service. The carrier does not issue tickets, but it does issue a travel document, containing all the information commonly found on a ticket, for the set of all passenger transportation services.

The travel document is considered to be a ticket or voucher for purposes of the definition of continuous journey because it contains all the information commonly found on a ticket. Consequently, the passenger transportation service is part of a continuous journey because the carrier issues a single ticket or voucher for the set of all the passenger transportation services.

Zero-rating rules

A supply of a passenger transportation service that is provided to an individual or a group of individuals, and that is part of a continuous journey of the individual or group of individuals that includes transportation by air, is zero-rated where:

- the origin or termination of the continuous journey, or any stopover in respect thereof, is outside the taxation area;
- the origin and termination of the continuous journey, and all stopovers in respect thereof, are outside Canada;
- the origin of the continuous journey is within the taxation area, but outside Canada; or
- all places at which the individual or group embarks or disembarks an aircraft are outside Canada and the origin or termination of the continuous journey, or any stopover in respect thereof, is outside Canada.

Example 4

A third-party charterer and a carrier enter into a charter agreement for the supply of a charter flight that is a passenger transportation service that is part of a continuous journey. The charter flight is a one-way trip for a group of individuals travelling from Toronto, Ontario to Nassau, Bahamas. The carrier issues a travel document for the set of all passenger transportation services which specifies Toronto as the origin of the continuous journey.

Although the continuous journey originates in Ontario (a participating province), the supply of the passenger transportation service is zero-rated because the

termination of the continuous journey is outside the taxation area.

Place of supply rules

If a taxable (other than zero-rated) supply of a passenger transportation service is made in a participating province, then it is subject to the HST rate in effect in that province. Conversely, if the supply of the passenger transportation service is made in a non-participating province, then it is subject to the 5% GST.

Generally, a supply of a passenger transportation service that is part of a continuous journey is made in a participating province if the continuous journey originates in the participating province, the termination and all stopovers in respect of the continuous journey are in Canada, and the origin of the journey is specified in the ticket or voucher issued for the first passenger transportation service included in the journey.

If there is a termination or stopover outside Canada in respect of the continuous journey, then the supply of the passenger transportation service is considered to be made in a non-participating province, regardless of the province in which the continuous journey originates.

Generally, if a supply of a passenger transportation service is not part of a continuous journey, then:

- the supply is made in a participating province if the passenger transportation service begins in the participating province and ends in Canada; and
- the supply is made in a non-participating province if the passenger transportation service begins outside the participating provinces or ends outside Canada.

Example 5

A third-party charterer and a carrier enter into a charter agreement for the supply of a charter flight that is a passenger transportation service that is part of a continuous journey. The charter flight is a round-trip for an individual travelling from Halifax, Nova Scotia to Boston, Massachusetts. The carrier issues a travel document for the set of all passenger transportation services which specifies Halifax as the origin of the continuous journey.

Although the continuous journey originates in Nova Scotia (a participating province) and the origin

is specified in the travel document, the supply of the passenger transportation service is made in a non-participating province because there is a stopover outside Canada. Therefore, the supply of the taxable (other than zero-rated) passenger transportation service is subject to the 5% GST.

Example 6

A third-party charterer and a carrier enter into a charter agreement for the supply of a charter flight that is a passenger transportation service that is part of a continuous journey. The charter flight is a round-trip for a group of individuals travelling from Windsor, Ontario to Winnipeg, Manitoba. The carrier issues a travel document which specifies Windsor as the origin of the continuous journey, and that there are no stops along the way.

The supply of the passenger transportation service is made in Ontario because the continuous journey originates in Ontario, there is no termination or stopover outside Canada, and the origin of the journey is specified in the travel document. Therefore, the supply of the passenger transportation service is subject to HST at a rate of 13%.

For more information on the place of supply rules for passenger transportation services, please see draft GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is made in a Province*.

Ferry flights

In order to supply a charter flight to a third-party charterer, a carrier may be required to move an aircraft to a specific location. Such movements are known as ferry flights.

When determining the origin, termination and any stopovers in respect of a continuous journey, only passenger transportation services are considered. As there are no passengers on ferry flights, ferry flights are not relevant in applying the continuous journey rules.

A ferry flight is generally considered to be an input to a passenger transportation service. For more information, refer to “Single supply vs. multiple supplies”.

Example 7

A third-party charterer and a carrier enter into a charter agreement for the supply of a charter flight that is a passenger transportation service that is part of a continuous journey. The charter flight is a one-way trip for an individual travelling from Regina, Saskatchewan to Toronto, Ontario. However, to provide the charter flight, the carrier must first reposition the aircraft from its base in Toronto to Regina. The invoice includes this ferry flight as the first leg of the charter and the carrier charges for the ferry flight at the rate set out in its tariff.

The supply of the passenger transportation service is made in Saskatchewan because the continuous journey originates in Saskatchewan. The supply of the passenger transportation service is subject to the 5% GST which is calculated on the total consideration payable for the supply of the passenger transportation service. There are no passengers on the ferry flight, so it is not part of the continuous journey. The charge for the ferry flight is additional consideration that is payable for the passenger transportation service and on which the 5% GST is payable.

Single supply vs. multiple supplies

When there are several charges in respect of the various elements in a transaction, it is always a question of fact whether the supplier is making a single supply or multiple supplies.

Generally, the carrier's tariff will include a rule stating that the total charter price is the sum of various charges, such as the following:

- (a) an amount determined by multiplying either the distance or the time of the charter flight(s) by the carrier's charter rate (per mile or per hour, as applicable) and not lower than a specified minimum;
- (b) an amount determined by multiplying either the distance or the time of the ferry flight(s), if any, by the carrier's ferry rate (per mile or per hour, as applicable) and not lower than a specified minimum;
- (c) fuel surcharges;
- (d) layover charges, if any (for holding the chartered aircraft at the request of the charterer at any point on the charter route in excess of a specified time);

- (e) taxiing charges, if any (for transporting the passenger(s) and their baggage by taxiing from point to point on the surface (i.e., ground);
- (f) excess valuation charges for baggage;
- (g) all charges or expenses incurred by the carrier for accommodation, meals and ground transportation for aircraft crew (when a charter requires the crew to be away from their normal base for a specified period);
- (h) cost of all passenger and/or goods handling charges incurred by the carrier at airports other than its base; and
- (i) actual cost of any special or accessorial services performed or provided at the request of the charterer.

The guidelines in GST/HST Policy Statement P-077R2, *Single and Multiple Supplies*, can help determine whether the carrier is providing a single supply or multiple supplies.

As stated in Policy Statement P-077R2, an element may generally be regarded as any property or service that could reasonably be supplied on its own; however, an element can also be an input to a supply or part of a supply. In identifying and analyzing the various elements of a package of property and/or services, a distinction must be made between elements that are actually supplied to the recipient and those that are simply inputs consumed or used in making a supply.

With respect to a carrier's supplies, some of the charges listed in the tariff are likely part of the consideration for the passenger transportation service. These would include those charges that are incurred by the carrier in providing the charter flight that are reimbursed by the third-party charterers.¹ For example, the fuel surcharges and the passenger/goods handling charges incurred by the carrier at airports other than its base are costs that the carrier has no choice but to incur in providing the specific air charter. When these charges are passed onto the third-party charterers, they are part of the consideration payable for the passenger transportation service.

¹ For the purposes of this info sheet, a carrier does not incur any of these costs as agent of the third-party charterer. For information on the GST/HST implications when a carrier acquires supplies as an agent of the third-party charterer, please contact a GST/HST rulings centre.

Other costs, such as the ferry flights and the cost of accommodation, meals and ground transportation for aircraft crew, are for elements that are not supplied to the third-party charterer. Rather, these elements are inputs consumed or used by the carrier in providing the passenger transportation service. The charges for the ferry flights and crew costs would therefore form part of the consideration payable for the passenger transportation service.

However, some of the charges listed in the tariff are generally considered to be separate from the supply of the passenger transportation service. For example, the excess valuation charges for baggage would be viewed as a separate charge in respect of a passenger's baggage and not part of the consideration payable for the supply of the passenger transportation service.

For GST/HST purposes, there are specific place of supply and zero-rating provisions that apply to a service of transporting an individual's baggage when made by a supplier of a passenger transportation service that imposes a charge for the service. Generally, under these rules, when a carrier provides a separate service of transporting an individual's baggage in connection with the transportation of the individual (i.e., on a charter flight), the GST/HST applies to any excess valuation charge at the same rate as it applies to the passenger transportation service.

Arranging for a ground transportation service at the destination airport would generally be viewed as a separate supply and could be part of a continuous journey where the conditions of the definition of that term are met with respect to the service.

In-flight supplies

If, as set out in its tariff, a carrier imposes a charge in respect of "an actual cost of any special or accessorial services performed or provided at the request of the charterer", then these are likely to be supplies that are separate from the passenger transportation service. Such supplies could include special in-flight catering or a service performed by the carrier during the charter flight. The rate of GST/HST to be charged on such supplies is determined based on the applicable rules for the actual supply.

A supply of tangible personal property or a service (other than a passenger transportation service) that is made to an individual on board an aircraft on an

international flight is made outside Canada if physical possession of the property is transferred to the individual, or the service is wholly performed, on board the aircraft. An "international flight" means any flight (other than a flight originating and terminating in Canada) of an aircraft that is operated by a person in the course of a business of supplying passenger transportation services.

Otherwise, if a supply of property or a service (other than a passenger transportation service) is made in Canada to an individual on board a conveyance, the supply is considered to be made in a particular province in certain circumstances. Specifically, if the supply is made in the course of a business of supplying passenger transportation services and the property or service is delivered, performed or made available on board the conveyance during any leg of the journey that begins in any province and ends in any province, then the supply is made in the province in which that leg of the journey begins.

Example 8

A carrier makes a supply of in-flight catering for a separate charge to a group of individuals on a charter flight from Ottawa, Ontario to Nassau, Bahamas.

The supply of the in-flight catering is not subject to GST/HST because the supply is made on an international flight and consequently made outside Canada.

Example 9

A carrier makes a supply of in-flight catering for a separate charge on a charter flight from Brandon, Manitoba to Thunder Bay, Ontario.

The supply of the in-flight catering is made in a non-participating province because the leg of the journey begins in Manitoba. Therefore, the supply of the in-flight catering is subject to the 5% GST.

Further information

All **GST/HST technical publications** are available on the CRA website at www.cra.gc.ca/gsthsttech.

To make an **enquiry** on the **GST/HST** by **telephone**, call one of the following numbers:

- for **general enquiries**, call the **Business Enquiries** line at **1-800-959-5525**;
- for **technical enquiries**, call **1-800-959-8287**.

If you are located in **Quebec**, contact **Revenu Québec** at **1-800-567-4692** or visit their website at www.revenuquebec.ca.

The information in this publication does not replace the law found in *the Excise Tax Act* (the Act) and its regulations; it is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any GST/HST rulings centre for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling and lists the GST/HST rulings centres.

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 14% in Prince Edward Island and 15% in Nova Scotia. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, see GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province*.